



GENERAL MILLS FISCAL 2025 Q3 EARNINGS CALL

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CORPORATE PARTICIPANTS

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Jeff Harmening, Chairman and Chief Executive Officer

Kofi Bruce, Chief Financial Officer

PRESENTATION

Jeff Siemon

Good morning! This is Jeff Siemon, Vice President of Investor Relations and Corporate Finance. Thank you for listening to General Mills' prepared remarks for our fiscal 2025 third-quarter earnings. Later this morning we will hold a separate, live question-and-answer session on today's results, which you can hear via webcast on our investor relations website. Joining me for this morning's presentation are Jeff Harmening, our Chairman and CEO, and Kofi Bruce, our CFO. Before I hand things over to them, let me first touch on a few housekeeping items.

First, on our website, you will find our press release that posted this morning, along with a copy of the presentation and a transcript of these remarks. Please note that today's remarks include forward-looking statements that are based on management's current views and assumptions. The second slide in today's presentation lists several factors that could cause our future results to be different than our current estimates. And with that, I'll turn it over to Jeff.

Jeff Harmening

Thank you, Jeff, and good morning, everyone.

Let me start with today's key messages. Our Q3 results finished below our expectations, driven largely by greater-than-expected retailer inventory headwinds and a slowdown in snacking categories – two developments we initially called out at the CAGNY conference last month.

We've continued to improve our market share trends across our Pet, Foodservice, and International businesses, with each segment posting positive pound share results in the third quarter. We delivered improved performance in U.S. Refrigerated Dough and Hot Snacks, two businesses where we made incremental investments last quarter, though our share in other snacks categories was more challenged.

Based on our Q3 results and moderated expectations for Q4, we've adjusted our fiscal 2025 guidance. And we're adapting our plans and stepping up our investment to address these recent headwinds, strengthen our competitiveness as we close the year, and deliver improved growth for fiscal '26.

To fund that investment, we're targeting industry-leading levels of Holistic Margin Management cost savings and anticipated new initiatives in fiscal '26 designed to further boost efficiency to enable investment for growth.

Our Q3 results are summarized on slide 5. Organic net sales were down 5%, which was below our expectations for three main reasons.

First, our Nielsen-measured retail sales were down 1% in the quarter. The 4-point gap between organic sales and retail sales growth was driven primarily by unexpected retailer inventory headwinds in NAR and Pet – which we referenced at CAGNY and did not see a reversal as we closed the quarter – and by the expected reversal of favorable timing items from Q2.

Second, we saw a deceleration in U.S. snacks retail sales trends in the quarter, driven by softer category growth and increased competitive activity.

And third, we saw a slowdown in demand in U.S. away-from-home channels in Q3 that pressured organic sales growth in North America Foodservice, even as we continued to gain share in those channels.

In response to these headwinds, we've moved quickly to adjust our plans, leveraging what's working on businesses like Pillsbury, Totino's, and Blue Buffalo and applying it more broadly across our portfolio, with the goal of driving improved growth moving forward.

Slide 6 outlines our three key priorities for fiscal 2025:

Our number one priority is to accelerate our organic sales growth by delivering remarkable consumer experiences across our leading food brands, resulting in stronger volume and improved market share performance.

Second, we are focused on creating fuel for investment by generating strong levels of HMM cost savings to offset inflation and reinvest back into our brands.

And third, we will continue to drive strong cash generation while maintaining our disciplined approach to capital allocation.

Our Remarkable Experience Framework is how we assess our brands across five key areas – product, packaging, brand communication, omnichannel execution, and value – to identify where we are differentiated and where we lack a distinct competitive advantage. Using learnings from this framework, we are better able to identify where we lead versus where we have work to improve our total product offering. We're putting this framework into action; let me provide a few examples of how it is making a measurable impact on our brands.

Last quarter, we highlighted challenges in our Pillsbury Refrigerated Dough business – more specifically, that our value for consumers was not right, which didn’t allow our innovation, renovation, and brand communication to resonate with consumers. We quickly put into action a series of initiatives to reverse trends on this business. I’m pleased to share that these initiatives are seeing good returns, with Refrigerated Dough retail pound volume up 10% in the month of February, driven by value improvements, expanded product news, investment behind our Cookies platform, and increased brand building featuring our iconic Pillsbury Doughboy.

Similarly, we drove improved trends in our Totino’s Hot Snacks business in Q3, leveraging a remarkability approach. Leaning into value-forward messaging, robust merchandising plans, and improved in-store execution, our Hot Snacks business drove 3% retail pound volume growth in February, which represents a significant step up versus last year’s results. These improved trends give us continued confidence that when we leverage our Remarkable Experience Framework, we can unlock significant improvements in competitiveness across our brands.

Retail sales for our U.S. cereal business were down mid-single digits in Q3, which we anticipated due to more difficult comparisons from Q3 last year, including the shift in Thanksgiving timing as well as increased competitor service levels. Q3 was also our lightest quarter of the year in terms of media support and in-store activation. As we shift to Q4, we expect to drive improved momentum on Cereal as we exit the quarter, supported by the strength of our plans leveraging relevant product news, brand partnerships, and media support.

In terms of product news, Cheerios Protein is off to a great start since launching in January, with both flavors turning in the top third of the category at key retailers and bringing new consumers into the Cheerios franchise. We’re continuing to build distribution on this line, and we’ll add a third variety, Cookies and Crème, in the fourth quarter. We have an exciting partnership with Marvel in Q4 that features the Fantastic Four across our core cereal brands, and we’ll activate this news through in-store displays and promotions, in partnership with our retailers. And we’ll support this news with a double-digit increase in media investment.

On Soup, our retail pound volume is up in fiscal ’25, and we expect to strengthen our momentum in Q4. Leveraging our data-driven marketing tools, we’ve introduced highly successful media campaigns to drive growth with targeted audiences, including both GLP-1 and 55+ consumers, who are seeking Progresso’s protein and fiber benefits. We have a strong support plan in Q4 behind Progresso Protein and our new Old El Paso soup line. And we’re launching a new line of Progresso soups, in partnership with Pitmaster, ahead of summer grilling season in the U.S. This Progresso Pitmaster line delivers on the increased protein benefits our core consumers are increasingly seeking in their daily routines.

While we’ve made progress in important parts of our NAR portfolio, we’ve seen challenges in others, including recent softness in U.S. Snacks, including snack bars, fruit snacks, and salty snacks. Here, too, our response starts with remarkability. We are investing to bring consumers added value through price-pack architecture changes and by addressing key price gaps; we’re launching strong new products and core renovation; and in fruit snacks, we’re introducing exciting new licensing partnerships, including a partnership with Warner Brothers to launch Harry Potter fruit snacks this summer.

On snack bars, we're innovating to bring more consumer-relevant benefits like indulgence and protein. In fact, General Mills brands account for 8 of the top 10 new products in the snack bar category in fiscal '25.

Moving forward, our focus for North America Retail is to deliver more of the elements of remarkability that resonate for consumers: stepping up product news with a focus on bold flavors and functional benefits; enhancing our brand communication with data-driven marketing; leading in omnichannel execution with improved distribution, display, and e-commerce visibility; and bringing consumers more value by addressing price gaps and stepping up our price-pack architecture work. Successfully executing these plans on our core brands will be the key to returning North America Retail to growth.

Across North America Pet, we drove another quarter of pound share growth on Blue Buffalo in Q3, with performance led by our Life Protection Formula dry dog food business. Our results on LPF have been driven by strong media investment and activations across key retail partners. We also recently launched our biggest new product of the year — Life Protection Formula Salmon. Salmon is an on-trend protein variety geared toward pet parents who are increasingly seeking chicken-free options. This addition to our LPF portfolio has already received strong retail enthusiasm and early distribution wins.

Our Wilderness line continues to show year-to-date improvement and is now posting retail sales growth across some of our key customers. Successful innovation is a theme here, too, with our latest launch of Grain-Free varieties performing above our initial expectations and highly incremental to our core Wilderness offerings.

And we're excited about adding the Whitebridge business to our pet portfolio this quarter. The Tiki Cat brand continues to drive great momentum, with retail sales for wet cat food up 19% over the past 52 weeks.

While we're proud of the improvements we've made to our Pet business in recent quarters, we know there is still work to be done to get back to the level of growth we aspire to over the long term. We'll look to continue building on our positive momentum in Q4, supported by another strong increase in media investment.

In North America Foodservice, we've continued to drive strong market share gains in our priority channels in fiscal 25, including more than 70% of our measured business growing or holding share in Q3. We're maintaining our leadership in K-through-12 schools, where we've stayed ahead of the competition through a regulation-ready portfolio of reduced-sugar cereals, individually wrapped muffins, and whole grain cereal bars. And we're leveraging our industry-leading capabilities in dough to expand our presence in frozen baked goods, bringing in-store bakeries, restaurants, and non-commercial operators remarkable products while helping them minimize back-of-house labor.

In International, our performance in Fiscal '25 has been mixed, with strong market share results in most regions offset by headwinds from a tougher consumer environment in China, our largest market outside North America. Our focus remains on driving remarkability to improve growth on our global platforms and other core markets, while working to stabilize our performance in China.

Outside of China, our focus on innovation, brand building, and distribution on our core products contributed to 6% retail sales growth in Q3 for Häagen-Dazs in retail outlets across our top markets. In Brazil, we drove share growth in four of our top five categories. And we delivered another quarter of growth in our distributor markets, capitalizing on distribution opportunities for Häagen-Dazs, Old El Paso, and Nature Valley.

We're also encouraged by the strong momentum for our Edgard & Cooper European pet food business, which continued to post double-digit net sales growth, including benefits from their recently launched Cat Treats line.

Our second priority for fiscal 2025 is to create fuel for reinvestment back into our brands and our business. We're leveraging our best-in-class Holistic Margin Management program to identify and deliver cost savings measures that enable investment in the long-term growth of our brands and the capabilities we'll need to compete today and tomorrow. We remain on track to generate 5% COGS HMM savings this fiscal year, which is ahead of our long-term trend.

And on our third priority – driving strong cash generation – we remain on track to deliver 95% free cash flow conversion in fiscal 2025, with free cash prioritized toward capital investment and dividends.

On M&A, in the near-term, we remain focused on completing the U.S. yogurt divestiture and ensuring smooth transitions for our Canada Yogurt divestiture and North American Whitebridge Pet Brands acquisition. As we look ahead, we'll continue to look for bolt-on acquisitions that improve the growth profile of our business and give us long-term opportunities to do what we do best — grow bold and iconic brands.

And on share repurchases, we now expect a 4% reduction to average diluted shares, versus our previous estimate of 3%, based on our strong share repurchase activity to date.

Stepping back, it's been a challenging year in fiscal '25, with prolonged value-seeking consumer behaviors and volatility in the operating environment creating significant headwinds. And still, we know that our job is to adapt quickly to the external environment and grow. As we look ahead to fiscal '26, we are fully committed to improving our organic sales growth, following the playbook that has successfully returned Blue Buffalo to share growth, strengthened our share leadership in foodservice channels, and more recently, improved our performance on Pillsbury and Totino's.

We're planning to increase our investment centered on key elements of Remarkability. This includes stepping up our innovation with more "big bet" launches focused on taste, value, and relevant functional benefits; increasing our investment behind compelling, digitally enabled brand communication; elevating our execution in-store and online; and improving value for consumers by offering a broader array of pack sizes, reducing price gaps, and more.

We'll fund that investment with increased cost savings. We have good visibility to delivering another year of at least 5% HMM cost savings in fiscal '26, which translates to more than \$600 million dollars in gross productivity savings, driven by further advancement of digital supply chain initiatives leveraging connected data, autonomous planning, and AI-enabled execution.

In addition, we're reviewing new cost efficiency initiatives that are anticipated to generate at least \$100 million dollars in additional savings in fiscal '26, with further savings expected in fiscal '27 and beyond.

With that, let me turn it over to Kofi to go into more details on our third-quarter results and the assumptions behind our updated outlook for the year.

Kofi Bruce

Thanks, Jeff. And hello everyone.

Our third-quarter financial results are summarized on slide 20. Reported net sales of \$4.8 billion dollars were down 5%, and organic net sales were also down 5%, reflecting lower pound volume and lower price/mix. As Jeff noted, these results trailed our Nielsen-measured retail sales performance by roughly 4 points in the quarter, due largely to unexpected retailer inventory headwinds and the reversal of certain Q2 timing benefits, which we had anticipated.

Adjusted operating profit of \$801 million dollars was down 13% in constant currency, driven by input cost inflation, unfavorable price/mix, lower volume, and supply chain deleverage, partially offset by HMM cost savings. Adjusted diluted earnings per share totaled \$1.00 in the quarter and were down 15% in constant currency, driven by lower adjusted operating profit, a higher adjusted effective tax rate, and higher net interest expense, partially offset by a lower share count.

Slide 21 summarizes the components of total company net sales growth. Organic net sales decreased 5% in the quarter, driven by both lower organic pound volume and unfavorable organic price/mix. Foreign exchange was a 1-point headwind, and the net impact of acquisitions and divestitures was a 1-point benefit to net sales in Q3.

Our North America Retail results are summarized on slide 22. As a reminder, we closed our Canada Yogurt divestiture in late January, and we continue to expect the U.S. Yogurt divestiture to close in calendar 2025.

Third-quarter organic net sales for North America Retail were down 6%, which lagged our Nielsen-measured U.S. retail sales by approximately 4 points. Consistent with the enterprise results, this gap primarily reflected unexpected retailer inventory headwinds and the reversal of Q2 timing benefits. As Jeff noted, we were encouraged by the improved retail sales trends we drove in Q3 on Pillsbury refrigerated dough and Totino's hot snacks, two businesses that we targeted last quarter for incremental investment. However, this improvement was offset by slower retail sales in U.S. cereal, which we anticipated, and in U.S. snacks, where the combination of slower category growth and increased competitive activity drove results below our expectations.

On the bottom line, constant-currency segment operating profit in NAR was down 14%, driven by lower volume, input cost inflation, and unfavorable price/mix, partially offset by HMM cost savings. Through nine months, NAR organic net sales were down 2% and segment operating profit was down 6% in constant currency.

North America Pet segment results are highlighted on slide 23. Our Q3 operating performance includes results from the North America Whitebridge Pet Brands acquisition, which closed in late December and is reported on a 1-month lag. Third-quarter organic net sales for North America Pet were down 5%, leaving our year-to-date organic net sales in line with last year. We estimate consumer takeaway across all channels was roughly flat in the quarter, with the 5-point gap to organic sales growth primarily driven by unexpected retailer inventory headwinds.

We continued to compete effectively amid a slower-than-expected U.S. pet food category this year, with Blue Buffalo pound share up again in Q3. Including the retailer inventory headwinds, net sales in the quarter were down mid-single digits for dry food, up mid-single digits for wet food, and up mid-single digits for treats.

On the bottom line, third-quarter North America Pet segment operating profit was down 20% in constant currency, driven by a double-digit increase in media investment as well as higher input costs. Through nine months, segment operating profit was up 6% in constant currency.

North America Foodservice organic net sales were up 1% in the quarter, driven by positive price/mix, partially offset by lower pound volume. Strong net sales growth on cereal and breads was partially offset by a decline on bakery flour, including a 1-point headwind from index pricing.

Though industry growth in away-from-home channels slowed in Q3, we continued to drive market share gains, including strong performance in K-through-12 schools, healthcare, and colleges and universities.

On the bottom line, third-quarter North America Foodservice segment operating profit was up 1% in constant currency, driven by favorable price/mix and HMM cost savings, partially offset by input cost inflation and higher other supply chain costs.

Through nine months, North America Foodservice organic net sales were up 3% and constant-currency segment operating profit was up 15%.

Moving to slide 25, third-quarter organic net sales for our International segment were down 3%, driven by declines in China and Brazil, partially offset by continued growth in our distributor markets as well as Europe & Australia.

While lower traffic in China shops remains a headwind for Haagen-Dazs, we drove good retail sales growth in Q3 on Haagen-Dazs in Europe and Australia. And more broadly, we delivered market share growth across our measured categories in Europe & Australia and Brazil in Q3.

Third-quarter segment operating profit totaled \$18 million dollars and was down 20% in constant currency, driven primarily by unfavorable price/mix and input cost inflation, partially offset by HMM cost savings.

Through nine months, International organic net sales were down 2% and segment operating profit totaled \$63 million dollars versus \$103 million dollars a year ago.

Slide 26 summarizes our joint ventures results. In Q3, Cereal Partners Worldwide net sales were down 1% in constant currency, driven mainly by a decline in the UK, partially offset by growth in Asia and Latin America. Häagen-Dazs Japan net sales were up 10% in constant currency, reflecting strong innovation on both cup and handheld formats.

Third-quarter combined after-tax earnings from joint ventures totaled \$14 million dollars compared to \$18 million dollars a year ago, driven by an asset impairment charge at CPW, partially offset by lower SG&A expenses and higher volume at Haagen-Dazs Japan.

Turning to margin results, our third-quarter adjusted gross margin was down 60 basis points to 33.4% of net sales, driven by input cost inflation, unfavorable price/mix, and supply chain deleverage, partially offset by HMM cost savings.

Our third-quarter adjusted operating profit margin decreased 140 basis points to 16.5%, driven by a lower adjusted gross margin and higher SG&A expenses as a percent of net sales.

Moving to other noteworthy Q3 income-statement items:

Adjusted unallocated corporate expenses decreased \$16 million dollars in the quarter, driven by favorable one-time items.

Third-quarter net interest expense increased \$15 million dollars, driven by higher average long-term debt balances.

The adjusted effective tax rate was 21% compared to 18.4% a year ago, driven primarily by certain non-recurring discrete tax benefits in the third quarter of fiscal 2024, partially offset by favorable earnings mix by jurisdiction in fiscal 2025.

And average diluted shares outstanding in the quarter were down 3% to 555 million, reflecting our continued net share repurchase activity.

Our nine-month fiscal 2025 results are summarized on slide 29. Net sales of \$14.9 billion dollars were down 1% on an organic basis. Year-to-date adjusted operating profit of \$2.7 billion dollars was down 3% in constant currency, while adjusted diluted earnings per share totaled \$3.47 and were down 1% in constant currency.

Turning to cash flow on slide 30:

Nine-month operating cash flow declined to \$2.3 billion dollars, driven primarily by changes in net earnings excluding impairment charges and divestiture gains.

Year-to-date capital investments totaled \$405 million dollars.

And we returned \$1.9 billion dollars in cash to shareholders in the first nine months of the year through dividends and net share repurchases.

On slide 31, we've provided a few key assumptions for the fourth quarter.

We expect our underlying Q4 sales trends to look similar to Q3, excluding the impact of retailer inventory and other timing factors. And note that we do not anticipate material changes in retailer inventory in the fourth quarter.

We anticipate fourth-quarter results will be negatively impacted by trade expense phasing related to additions to our trade plans made in previous quarters. This phasing impact will be a 1.5-point headwind to net sales and a 9-point headwind to operating profit in the quarter.

We expect increased commercial investments will be a 13-point headwind to operating profit in Q4. This includes investments in trade promotion, a double-digit increase in media expense, and early investments to support significant new product launches in fiscal 2026.

Finally, we expect the net impact of M&A to be a 2-point headwind to operating profit in Q4, due to divested Canada yogurt profits and an inventory step up related to the Whitebridge acquisition, partially offset by added operating profit from Whitebridge.

With these assumptions in mind, our updated annual Fiscal 2025 Financial Outlook can be seen on slide 32:

Organic net sales are now expected to be down 2% to down 1.5% for the year.

Adjusted operating profit and adjusted diluted EPS are now expected to be down 8% to down 7% in constant currency.

And we continue to expect free cash flow conversion to be at least 95% of adjusted after-tax earnings.

Note that our outlook does not include the impact of the pending U.S. Yogurt divestiture, as the transaction has yet to close. And while recent new U.S. tariffs on steel and aluminum and Chinese imports are not expected to be material to our fiscal 2025 results, we have not included any impact from potential tariffs that are paused or may be enacted in the future, as the trade environment is rapidly evolving at this time.

With that, let me turn it back to Jeff for some closing remarks. . .

Jeff Harmening

Thanks, Kofi. Let me close by saying that while we've made good progress in competing more effectively across many parts of our portfolio, we are not satisfied with our Q3 results and we are moving quickly to make the necessary changes to improve our momentum. I continue to have great confidence that deploying our Remarkable Experience Framework against our billion-dollar brands will be the key to restoring our competitiveness and leading growth for our categories. The entire General Mills team is working aggressively to adapt to the changing environment, deliver for our consumers, and get back to growth.